

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2019-2-E

April 2, 2019

IN RE:

Annual Review of Base Rates for Fuel Costs)
 for South Carolina Electric & Gas Company)
 _____)

STIPULATION

This Stipulation is made by and between the South Carolina Office of Regulatory Staff (“ORS”), South Carolina Electric & Gas Company (“SCE&G” or “Company”), and the South Carolina Energy Users Committee (“SCEUC”) (collectively referred to as the “Parties” or sometimes individually as “Party”);

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (“Commission”) pursuant to the procedure established in S.C. Code Ann. § 58-27-865 (2015), and the Parties to this Stipulation are parties of record in the above-captioned docket;

WHEREAS, the period under review in this docket is January 1, 2018, through December 31, 2018 (“Review Period”);

WHEREAS, the Parties have varying legal positions regarding certain issues in this proceeding;

WHEREAS, the Parties have engaged in discussions to determine if a stipulation on certain issues would be in their best interest;

WHEREAS, following these discussions the Parties have each determined that their interests and the public interest would be best served by stipulating certain matters in the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission this Stipulation.

2. The Parties agree to those items set out immediately below, and this Stipulation is hereby adopted, accepted, and acknowledged as the agreement of the Parties.

**A. STIPULATIONS WITH RESPECT TO TESTIMONY AND CROSS-
EXAMINATION**

A.1. The Parties further agree to stipulate into the record the pre-filed direct testimony and exhibits of the following witnesses without objection, change, amendment or cross-examination with the exception of changes comparable to that which would be presented via an errata sheet or through a witness noting a correction.

a. SCE&G witnesses:

- i. George A. Lippard, III
- ii. John H. Raftery
- iii. Allen W. Rooks
- iv. Michael D. Shinn

b. ORS witnesses:

- i. Anthony D. Briseno
- ii. Robert A. Lawyer
- iii. Anthony M. Sandonato

The Parties further agree to stipulate into the record the pre-filed amended direct testimony and exhibits of the following witnesses without objection, change, amendment or cross-

examination with the exception of changes comparable to that which would be presented via an errata sheet or through a witness noting a correction.

c. SCE&G witnesses:

- i. Henry E. Delk, Jr.
- ii. J. Darrin Kahl

The Parties further agree to stipulate into the record the pre-filed amended rebuttal testimony and exhibits of the following witnesses without objection, change, amendment or cross-examination with the exception of changes comparable to that which would be presented via an errata sheet or through a witness noting a correction.

d. SCE&G witnesses:

- i. J. Darrin Kahl

With respect to this Stipulation, Company Witness Rooks is the witness designated to be primarily responsible for providing support for the Stipulation at the hearing scheduled in this case.

**B. STIPULATIONS WITH RESPECT TO NET ENERGY METERING AND
DISTRIBUTED ENERGY RESOURCES, FUEL EXPENSES AND POWER
PLANT OPERATIONS, FUEL FACTORS, AND OTHER ITEMS**

Net Energy Metering and Distributed Energy Resources

B.1. Without constraining, inhibiting, or impairing their arguments or positions in future proceedings, the Parties agree as follows in this proceeding:

- a. SCE&G's calculation and method of accounting for avoided and incremental costs for NEM during the review period of January 1, 2018, through December 31, 2018 ("Actual Period"), were reasonable and prudent, were consistent with methodology approved in Commission Order No. 2015-194, and complied with S.C. Code Ann. § 58-40-10, *et seq.* (2015).

- b. SCE&G has met the utility-scale and customer-scale goals as prescribed by S.C. Code Ann. § 58-39-130 (2015). During the Actual Period, SCE&G reasonably and prudently incurred costs in implementing the Company's Distributed Energy Resource Program, as approved in Commission Order No. 2015-512.
- c. The cumulative balances of SCE&G's DER program costs as of December 31, 2018, totaled an over-collected balance of \$1,856,462 in avoided costs and an under-collected balance of \$669,089 in incremental costs, which are reasonable and prudent.
- d. SCE&G reasonably projected its DER program costs for the period January 1, 2019, through April 30, 2020, which are accurately reflected in Exhibit Nos. ____ (AWR-6) through (AWR-9) attached to the direct testimony of Allen W. Rooks.
- e. SCE&G's proposed DER Avoided Cost Component by class, as set forth below, are reasonable and prudent, and, if approved by the Commission, shall become effective for the period beginning with the first billing cycle of May 2019.

Class	DER Avoided Cost Component (¢/kWh)
Residential	0.033
Small General Service	0.031
Medium General Service	0.026
Large General Service	0.016

- f. SCE&G's proposed monthly per account DER Incremental Cost Components by class, as set forth below, properly allocate SCE&G's DER program incremental costs, are reasonable and prudent, and, if approved by the Commission, shall become effective for the period beginning with the first billing cycle of May 2019.

Class	Monthly Per Account DER Incremental Cost Component
Residential	\$ 1.00
Small & Medium Gen. Svc.	\$ 5.19
Large General Service	\$ 100.00

- g. The tariff sheet entitled, "Adjustment for Fuel, Variable Environmental, & Avoided Capacity, and Distributed Energy Resource Program Costs," attached hereto as Attachment A, including the rates, terms, and conditions, is lawful, just, and reasonable, and, if approved by the Commission, shall become effective for the period beginning with the first billing cycle of May 2019.

Fuel Expenses and Power Plant Operations

B.2. ORS's review of SCE&G's operation of its generating facilities resulted in ORS concluding that SCE&G made reasonable efforts to maximize unit availability and minimize fuel costs. Additionally, ORS determined that SCE&G took appropriate corrective action with respect to outages that occurred during the Actual Period. Further, ORS concluded that, subject to any adjustments set forth in ORS's pre-filed direct testimony, SCE&G's accounting practices are in compliance with S.C. Code Ann. § 58-27-865 (2015).

B.3 The Parties agree to accept all recommendations, if any, in ORS witnesses Briseno's and Sandonato's testimonies and exhibits pertaining to SCE&G's fuel expenses and power plant operations for the Actual Period, and January 1, 2019, through April 30, 2019 ("Estimated Period"), as well as forecasted expenses for the period May 1, 2019 through April 30, 2020 ("Forecasted Period"). Accordingly, SCE&G's net cumulative over-collected balance of total base fuel, variable environmental, and avoided capacity costs for the periods ending

December 2018 totaled \$10,860,821, and estimated net cumulative under-collected balance of total base fuel, variable environmental, and avoided capacity costs through April 2019 is \$2,534,512. As of December 2018, the net cumulative over-collected balance of \$10,860,821 consists of cumulative over-collected base fuel costs of \$8,740,636 and cumulative over-collected variable environmental and avoided capacity costs of \$2,120,185. As of April 2019, the estimated net cumulative under-collected balance of \$2,534,512 consists of cumulative under-collected base fuel costs of \$5,333,261 and cumulative over-collected variable environmental and avoided capacity costs of \$2,798,749.

Fuel Factors

B.4. The Parties agree that the appropriate fuel factors for SCE&G to charge pursuant to this Stipulation for the period beginning with the first billing cycle of May 2019 and extending through the last billing cycle of April 2020 are listed below and set forth in Attachment A.

Class	Base Fuel Cost Component (¢/kWh)	Variable Environmental & Avoided Capacity Cost Component (¢/kWh)	DER Avoided Cost Component (¢/kWh)	Total Fuel Costs Factor (¢/kWh)
Residential	2.451	0.071	0.033	2.555
Small General Service	2.451	0.065	0.031	2.547
Medium General Service	2.451	0.055	0.026	2.532
Large General Service	2.451	0.035	0.016	2.502
Lighting	2.451	0.000	0.000	2.451

B.5. The Parties agree that the base fuel cost component set forth in Paragraph B.5 above is projected to create an under-collected cumulative balance of base fuel costs as of April 30, 2020, of approximately \$35.4 million.

B.6. The Parties agree that the Company be allowed to apply carrying costs for base fuel cost component under-collected balances, as they occur, and if approved, be based on the 3-year U.S. Government Treasury Note rate plus 65 basis points.

B.7. If approved by the Commission, the rates proposed herein would decrease the average monthly bill of a Rate 8 residential customer using 1,000 kWh per month from \$124.91 to \$124.71, a net decrease of \$0.20 or 0.16%.

B.8. The Parties agree the fuel factors set forth above are consistent with S.C. Code Ann. § 58-27-865 (2015). The Parties further agree that, except as provided in Paragraph B.1 and B.9 herein, any and all challenges to SCE&G's historical fuel costs recovery for the period ending December 2018, are not subject to further review; however, the projected fuel costs for the period beginning January 1, 2019, and thereafter, shall be an open issue in future fuel costs proceedings held under the procedure and criteria established in S.C. Code Ann. § 58-27-865 (2015).

Other Items

B.9. With regards to plant outages not completed as of December 31, 2018, if any, and outages where final reports of SCE&G, contractors, governmental entities or others are not available, if any, the Parties agree that ORS retains the right to review the reasonableness of the plant outage(s) and associated costs in the review period during which the outage is completed or when the report(s) on such outage(s) become available.

B.10. Upon written request, SCE&G will provide the following to the Stipulating Parties:

- a. Copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and
- b. Quarterly forecasts beginning with the quarter ending June 30, 2019, of the expected fuel factors to be set at SCE&G's next annual fuel proceeding and SCE&G's historical over (under)-collected balance to date. SCE&G agrees it will

put forth reasonable efforts to forecast the expected fuel factors to be set at its next annual fuel proceeding; however, the Parties agree that these quarterly forecasts will not be admitted into evidence in any future SCE&G proceeding.

C. REMAINING STIPULATION TERMS AND CONDITIONS

C.1 The Parties agree this Stipulation is reasonable, in the public interest, and in accordance with law and regulatory policy. This Stipulation in no way constitutes a waiver or acceptance of the position of any Party concerning the requirements of S.C. Code Ann. § 58-27-865 (2015) in any future proceeding.

C.2. Further, ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2018). S.C. Code Ann. § 58-4-10(B) reads in part as follows:

... 'public interest' means the concerns of the using and consuming public with respect to public utility services, regardless of the class of customer and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes this Stipulation reached among the Parties serves the public interest as defined above.

C.3. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Stipulation be accepted and approved by the Commission as a fair, reasonable, and full resolution of the stipulated matters in the above-captioned proceeding and to take no action inconsistent with its adoption by the Commission. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Stipulation and the terms and conditions contained herein.

C.4. This written Stipulation contains the complete agreement of the Parties. There are no other terms and conditions to which the Parties have agreed. This Stipulation integrates all

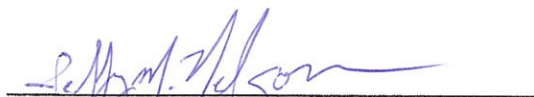
discussions among the Parties into the terms of this written document. The Parties agree that this Stipulation will not constrain, inhibit or impair their arguments or positions held in future proceedings, nor will this Stipulation or any of the matters agreed to in it be used as evidence or precedent in any future proceeding.

C.5. This Stipulation shall be interpreted according to South Carolina law. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Stipulation by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Stipulation.

[SIGNATURES ON THE FOLLOWING PAGES]

WE AGREE:

Representing the South Carolina Office of Regulatory Staff



Jeffrey M. Nelson, Esquire

Jenny R. Pittman, Esquire

South Carolina Office of Regulatory Staff

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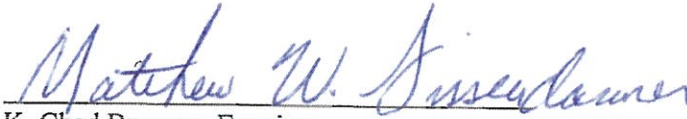
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WE AGREE:

Representing South Carolina Electric & Gas Company

A handwritten signature in blue ink, reading "Matthew W. Gissendanner", is written over a horizontal line.

K. Chad Burgess, Esquire

Matthew W. Gissendanner, Esquire

South Carolina Electric & Gas Company

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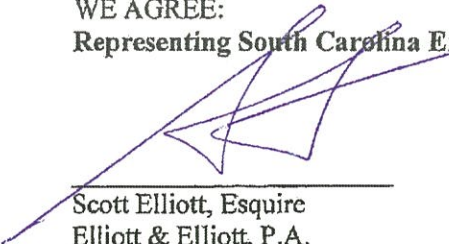
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WE AGREE:
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**ADJUSTMENT FOR FUEL, VARIABLE ENVIRONMENTAL & AVOIDED CAPACITY,
AND DISTRIBUTED ENERGY RESOURCE COSTS****RETAIL RATES**
(Page 1 of 2)**APPLICABILITY**

This adjustment is applicable to and is part of the Utility's South Carolina retail electric rate schedules.

The fuel, variable environmental & avoided capacity, and DER avoided costs, to be recovered in an amount rounded to the nearest one-thousandth of a cent per kilowatt-hour, will be determined by the following formulas:

$$F_C = \frac{E_F}{S} + \frac{G_F}{S_1}$$

$$F_{EC} = \frac{E_{EC} + G_{EC}}{S_2}$$

$$F_{AC} = \frac{E_{AC} + G_{AC}}{S_2}$$

Total Fuel Rate

$$\text{per kWh} = F_C + F_{EC} + F_{AC}$$

Where:

F_C = Fuel cost per kilowatt-hour included in base rate, rounded to the nearest one-thousandth of a cent.

E_F = Total projected system fuel costs:

- (A) Fuel consumed in the Utility's own plants and the Utility's share of fuel consumed in jointly owned or leased plants. The cost of fossil fuel shall include no items other than those listed in Account 151 of the Commission's Uniform System of Accounts for Public Utilities and Licensees. The cost of nuclear fuel shall be that as shown in Account 518 excluding rental payments on leased nuclear fuel and except that, if Account 518 also contains any expense for fossil fuel which has already been included in the cost of fossil fuel, it shall be deducted from this account.

PLUS

- (B) Fuel costs related to purchased power such as those incurred in unit power and limited term power purchases where the fossil fuel costs associated with energy purchased are identifiable and are identified in the billing statement, and also including avoided energy costs incurred by the Utility. Also, the cost of "firm generation capacity purchases," which are defined as purchases made to cure a capacity deficiency or to maintain adequate reserve levels. Costs of "firm generation capacity purchases" includes the total delivered costs of firm generation capacity purchased and excludes generation capacity reservation charges, generation capacity option charges and any other capacity charges.

PLUS

- (C) Fuel costs related to purchased power (including transmission charges), such as short term, economy and other such purchases, where the energy is purchased on an economic dispatch basis, including the total delivered cost of economy purchases of electric power defined as purchases made to displace higher cost generation at a cost which is less than the purchasing Utility's avoided variable costs for the generation of an equivalent quantity of electric power.

Energy receipts that do not involve money payments such as diversity energy and payback of storage energy are not defined as purchased or interchange power relative to this fuel calculation.

MINUS

- (D) The cost of fuel recovered through intersystem sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

Energy deliveries that do not involve billing transactions such as diversity energy and payback of storage energy are not defined as sales relative to this fuel calculation.

S = Projected system kilowatt-hour sales excluding any intersystem sales.

G_F = Cumulative difference between jurisdictional fuel revenues billed and fuel expenses at the end of the month preceding the projected period utilized in E_F and S .

S_1 = Projected jurisdictional kilowatt-hour sales, for the period covered by the fuel costs included in E_F .

F_{EC} = Customer class variable environmental and avoided capacity costs per kilowatt-hour included in base rates, rounded to the nearest one-thousandth of a cent.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

ELECTRICITY

ADJUSTMENT FOR FUEL, VARIABLE ENVIRONMENTAL & AVOIDED CAPACITY,
AND DISTRIBUTED ENERGY RESOURCE COSTSRETAIL RATES
(Page 2 of 2)

E_{EC} = The projected variable environmental costs including: a) the cost of ammonia, lime, limestone, urea, dibasic acid, and catalysts consumed in reducing or treating emissions, plus b) the cost of emission allowances, as used, including allowances for SO₂, NO_x, mercury and particulates minus net proceeds of sales of emission allowances, and c) as approved by the Commission, all other variable environmental costs incurred in relation to the consumption of fuel and air emissions caused thereby, including but not limited to environmental reagents, other environmental allowances, and emission related taxes. Any environmental related costs recovered through intersystem sales would be subtracted from the totals produced by subparts a), b), and c). This component also includes avoided capacity costs incurred by the Utility.

These environmental and avoided capacity costs will be allocated to retail customer classes based upon the customer class firm peak demand allocation from the prior year.

G_{EC} = Cumulative difference between jurisdictional customer class environmental fuel revenues billed and jurisdictional customer class environmental costs at the end of the month preceding the projected period utilized in E_{EC} and S_2 .

F_{AC} = Customer class DER avoided costs per kilowatt-hour included in base rates, rounded to the nearest one-thousandth of a cent.

E_{AC} = The projected DER avoided costs paid to distributed generators as most recently determined by the Public Service Commission of South Carolina. These avoided costs will be allocated to retail electric customer classes based upon the customer class firm peak demand allocation from the prior year.

G_{AC} = Cumulative difference between jurisdictional customer class avoided cost revenues billed and jurisdictional customer class avoided costs at the end of the month preceding the projected period utilized in E_{AC} and S_2 .

S_2 = The projected jurisdictional customer class kilowatt-hour sales.

The appropriate revenue-related tax factor is to be included in these calculations.

FUEL RATES PER KWH BY CLASS

The total fuel costs in cents per kilowatt-hour by customer class as determined by the Public Service Commission of South Carolina in Order No. ____-____ are as follows for the period May, 2019 through April, 2020:

Customer Class	F_C Rate	+	F_{EC} Rate	+	F_{AC} Rate	=	Total Fuel Rate
Residential	2.451		0.071		0.033		2.555
Small General Service	2.451		0.065		0.031		2.547
Medium General Service	2.451		0.055		0.026		2.532
Large General Service	2.451		0.035		0.016		2.502
Lighting	2.451		0.000		0.000		2.451

The incremental costs associated with SCE&G's Distributed Energy Resource Programs, to be recovered in an amount rounded to the nearest cent per account, will be determined by the following formulas:

Total Fuel Rate per Account

$$F_{IC} = \frac{E_{DC} + G_{DC}}{C}$$

Where:

F_{IC} = Fuel cost per account included in base rate, rounded to the nearest cent, not to exceed \$12 for residential customers, \$120 for small/medium general service customers, and \$1,200 for large general service customers.

E_{DC} = The projected incremental costs associated with SCE&G's Distributed Energy Resource Program as determined by the Public Service Commission of South Carolina

G_{DC} = Cumulative difference between jurisdictional customer class distributed energy component revenues billed and jurisdictional customer class incremental costs associated with SCE&G's Distributed Energy Resource Program at the end of the month preceding the projected period utilized in E_{DC} and C .

C = The jurisdictional customer class account totals.

FUEL RATES PER ACCOUNT PER MONTH BY CLASS

The total fuel costs in dollars per account by customer class as determined by the Public Service Commission of South Carolina in Order No. ____-____ are as follows for the period May, 2019 through April, 2020:

Customer Class	F_{IC} Rate
Residential	\$ 1.00
Small & Medium General Service	\$ 5.19
Large General Service	\$ 100.00

Effective Upon Approval by the Public
Service Commission of South Carolina